

Message Text

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61
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 PA-02 USIA-15 PRS-01

SP-02 SS-15 NSC-05 /072 W
----- 039266

R 011512Z AUG 75
FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 7037
INFO AMEMBASSY BRUSSELS
AMCONSUL FRANKFURT
AMEMBASSY LONDON
USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS DUBLIN 1366

E.O. 11652: N/A
TAGS: EAIR, EI
SUBJ: AER LINGUS REPORTS 1974/75 LOSS

1. AER LINGUS, THE IRISH NATIONAL CARRIER, HAS JUST RELEASED ITS ANNUAL REPORT FOR THE FINANCIAL YEAR ENDING MARCH 31, 1975. THE COMPANY'S OVERALL LOSS ON OPERATIONS, AFTER DEDUCTING PROFITS FROM ANCILLARY ACTIVITIES, AMOUNTED TO 5.3 MILLION POUNDS. TOTAL REVENUES IN THE YEAR WERE 63.3 MILLION POUNDS AND EXPENDITURE TOTALLED 65.9 MILLION POUNDS, LEAVING AN OPERATING LOSS OF 2.6 MILLION POUNDS (COMPARED TO AN OPERATING PROFIT OF 3.9 MILLION POUNDS IN 1973/74). THE DIFFERENCE BETWEEN THE OVERALL LOSS OF 5.3 MILLION POUNDS AND THE

OPERATING LOSS IS ACCOUNTED FOR BY INTEREST PAID ON LOAN CAPITAL. AFTER TAKING INTO CONSIDERATION "EXTRAORDINARY ITEMS" (MOSTLY RESULTING FROM THE FINANCIAL SETTLEMENT WITH AMERICAN AIRLINES), THE LOSS TRANSFERRED TO RESERVES AMOUNTED TO 2.1 MILLION POUNDS, AS COMPARED WITH A PROFIT OF 782,000 POUNDS CREDITED IN THE PREVIOUS FINANCIAL YEAR.

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2. TO OFFSET INCREASED FUEL PRICES AND INFLATION IN GENERAL,

FARES AND CARGO RATES WERE INCREASED DURING THE YEAR. HOWEVER, AN OVERALL SHORTFALL OF 6 PERCENT IN PASSENGER TRAFFIC AND A DROP OF 1 PERCENT IN CARGO TONNAGE, MADE THE FARE INCREASES INSUFFICIENT TO OFFSET THE LOSS. TOTAL EXPENDITURE IN 1974/75 INCREASED BY 16 MILLION POUNDS OR 32 PERCENT OVER THE PREVIOUS YEAR. MAIN INCREASES WERE FUEL (6.3 MILLION POUNDS) AND PAY-ROLL (6.2 MILLION POUNDS). SCHEDULED PASSENGER TRAFFIC ON THE DOMESTIC AND EUROPEAN SERVICES DECREASED BY 5 PERCENT IN THE YEAR UNDER REVIEW, WHILE ON THE TRANSATLANTIC, SERVICES FELL BY 12 PER-CENT. THE DROP IN CHARTER TRAFFIC WAS 9 AND 15 PERCENT, RESPEC-TIVELY. TRAFFIC ON THE TRANSATLANTIC SERVICES DECLINED FOR THE THIRD YEAR IN SUCCESSION. MUCH OF THE DECLINE IN TRAFFIC WITH THE UK IS ATTRIBUTED TO THE POLITICAL DIFFICULTIES IN NORTHERN IRELAND; HOWEVER, THE GENERAL ECONOMIC SITUATION MAKES A LARGE CONTRIBUTION AS WELL. WHILE RECESSION AND INFLATION CONTRIBUTED GREATLY TO THE DECREASE IN TRANSATLANTIC SERVICES, AER LINGUS IS OF A VIEW THAT POLITICAL DIFFICULTIES WERE ALSO A DETERRENT TO TRAVEL.

3. AER LINGUS HAS NOT MADE PUBLIC FINANCIAL PROJECTIONS FOR 1975/6 BUT AIRLINE INDUSTRY REPRESENTATIVES IN DUBLIN ARE OF THE VIEW THAT THEY WILL SUFFER EVEN LARGER LOSSES THIS YEAR.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ANNUAL REPORTS, FINANCIAL DATA, AIR FARES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1975
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DUBLIN01366
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750266-0780
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750887/aaaacyvj.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 DEC 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 DEC 2003 by ThomasVJ>; APPROVED <02 JAN 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AER LINGUS REPORTS 1974/75 LOSS
TAGS: EAIR, EI, AER LINGUS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006